

and conspicuous disclosure in writing prior to his enrollment, that the industry member cannot guarantee or otherwise control the recognition which will be accorded the diploma by institutions of higher education, other schools or by prospective employers, and that the degree to which it is recognized is a matter solely within the discretion of those agencies. [Guide 6]

§ 254.7 Deceptive sales practices.

(a) In obtaining leads to prospective students, an industry member should not use advertisements or promotional material which is classified, designated or captioned, "Men wanted to train for * * *", "Help Wanted", "Employment", "Business Opportunities" or by words or terms of similar import, so as to represent directly or by implication that employment is being offered.

(b) An industry member should not deceptively designate or refer to its sales representatives as "registrars", "counselors", "advisors", or by words of similar import or misrepresent in any other manner, the titles, qualifications, training, experience or status of its salesmen, agents, employees, or other representatives.

(c) The advertising or promotional materials of an industry member which are used to provide leads to prospective students should include the full name and address of the school (a local address is permissible in the case of a multilocal school) and disclose the fact that it is a school if such is not apparent from its name. In addition, a person who responds to such an advertisement or promotional material should not be visited by a salesman unless the advertisement or material contains a clear and conspicuous disclosure that a salesman may call or unless consent to such a visit is first obtained by mail or telephone.

(d) In obtaining leads to prospective students, an industry member should not represent that it is conducting a talent hunt, contest, or similar test, unless such is the fact and such representation is accompanied by a clear and conspicuous disclosure of the industry member's name and address and the fact that it is a school if such is not apparent from its name. An industry member which conducts a talent

hunt, contest, or similar test among prospective students should keep accurate records concerning the results thereof. [Guide 7]

§ 254.8 Deceptive pricing and misuse of the word "free."

(a) An industry member should not represent directly or indirectly in advertising or otherwise that a course or courses may be taken for a specified price, or at a saving, or at a reduced price, when such is not the fact; or otherwise deceive students or prospective students with respect to the cost of a course or any equipment, books, or supplies associated therewith or furnish any means or instrumentality by which others engaged in obtaining enrollments may make such representations. Illustratively, an industry member should not represent:

(1) That veterans or other stated classes of persons may be enrolled at a reduced or special rate unless such is the fact;

(2) That a specific amount is its usual and customary price for a course unless such amount is the price at which the course has been usually and customarily sold in the recent regular course of business;

(3) That any saving is afforded in the price of a course from the member's regular price unless the price at which the course is offered constitutes a reduction from the price at which the course has been usually and customarily sold in the recent regular course of business;

(4) That books, training materials, or training aids are furnished at reduced rates,

(i) Unless the prices therefor have been reduced from the prices at which they were usually and customarily sold by the member in the recent and regular course of business; or

(ii) Unless the prices therefor have been reduced from the prices at which they were usually and customarily sold at retail by principal outlets in the trade area.

(b) An industry member should not misrepresent the total cost of the course to a prospective student or falsely represent that it offers scholarships which pay for all or part of the course.

§ 254.9

NOTE: The Commission's Guides Against Deceptive Pricing (part 233 of this chapter) afford further guidance in this area.

(c) An industry member which represents that any course material, training device, or service is free should comply with the provisions of the Commission's Guide Concerning Use of the Word "Free" and Similar Representations (part 251 of this chapter). [Guide 8]

§ 254.9 Deceptive or unfair collection and credit practices.

(a) An industry member should not use any deceptive representations or deceptive means to collect or attempt to collect tuition or other charges from its students. For example, an industry member should not represent that a delinquent account has been or will be referred to an independent collection agency or to an attorney unless such is the fact.

(b) An industry member should not seek to enforce or obtain a judgment or otherwise attempt to collect on any contract or other instrument between itself and a student, or transfer or assign such contract or other instrument to a third party for the purpose of collection or of enforcing or obtaining a judgment on said contract or instrument, if the member or its employees or representatives misrepresented the nature or the terms of said contract or instrument at the time or prior to the time the contract or instrument was signed.

NOTE: The Commission's Guides Against Debt Collection Deception (part 237 of this chapter) afford further guidance in this area.

[Guide 9]

§ 254.10 Affirmative disclosure prior to enrollment.

Before obtaining the signature of a prospective student or of his parent or guardian on an enrollment contract or contract of sale, an industry member should furnish in writing to that person or persons the following information:

(a) The member's policy and regulations relative to make-up work, delay or delinquency in meeting course requirements, and standards required of the student for achieving satisfactory

16 CFR Ch. I (1–1–97 Edition)

progress, including class attendance if applicable.

(b) If the member recommends, suggests, or requires that the student have or secure any additional texts, equipment, or materials other than usual student supplies such as paper and pencils, or utilize any supplementary services offered by the member, and the cost thereof is not included in the contract price of the course, an itemized list of such items and services showing the price thereof.

(c) In the case of courses to be taught in residence, a description of the school's physical facilities, and equipment to be used in teaching the class, and the usual class size.

(d) If the member represents that it offers a placement service to its graduates or will otherwise secure or assist them to find employment, a detailed and explicit description of the extent and nature of this service or assistance.

(e) Any other material facts concerning the school and the program of instruction or course which are reasonably likely to affect the decision of the student to enroll therein. [Guide 10]

PART 255—GUIDES CONCERNING USE OF ENDORSEMENTS AND TESTIMONIALS IN ADVERTISING

Sec.

255.0 Definitions.

255.1 General considerations.

255.2 Consumer endorsements.

255.3 Expert endorsements.

255.4 Endorsements by organizations.

255.5 Disclosure of material connections.

AUTHORITY: 38 Stat. 717, as amended; 15 U.S.C. 41–58.

§ 255.0 Definitions.

(a) The Commission intends to treat endorsements and testimonials identically in the context of its enforcement of the Federal Trade Commission Act and for purposes of this part. The term *endorsements* is therefore generally used hereinafter to cover both terms and situations.

(b) For purposes of this part, an *endorsement* means any advertising message (including verbal statements, demonstrations, or depictions of the name, signature, likeness or other